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Market Brief - Product

Korea, Republic of : Beer

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Seoul ATO [KS2], KS

Korea Market Brief on Beer

May 1998

1. Market Prospects

Summary

Korea offers significant potential for both current and new-to-market U.S. beers. A westernization of lifestyle and the increasing popularity of imported beer, especially among young Koreans, contributed to double-digit increases in beer consumption from 1993 to 1997. Beer imports tripled in value from \$1.7 million in 1993 to over \$5 million in 1997. The U.S. market share in 1997 accounted for 70% of imports. Because Koreans prefer more full-bodied beers, hotel and restaurant representatives have expressed an interest in importing microbrews. While the financial crisis which began at the end of 1997 has had a serious impact on beer imports, it is expected that imports will recover quickly as economic conditions improve.

Advantages

- ! Well established beverage
- ! No quotas
- ! Rapid growth in beer consumption
- ! Rapid growth in beer imports
- ! U.S. beer very popular among young Koreans
- ! Opportunities for microbrews

Challenges

- ! High tariffs and distribution costs
- ! Competition from large, local brewers
- ! Demanding labeling requirements

2. Market Access

Labeling, packaging and inspection standards change frequently in Korea. Exporters are advised to maintain close contact with an established Korean importer who should be the best source of current information on these requirements.

Tariffs and taxes

Korea applies a complicated tariff and tax system to imported beer as shown below:

- ! Tariff: 30% of CIF value
- ! *Beer Tax: 130% of CIF value + tax
- ! *Education Tax: 30% of beer tax
- ! *Value Added Tax: 10% of CIF value + tariff + beer tax + education tax

* Local beers also face these taxes

For example, a CIF \$10 case of beer costs the importer about \$39.

Labeling Standards

Korean importers provide exporters with the film negative of the required Korean language label to print and affix to the product before it is imported. The label should contain:

!	Name of the product	!	Name and volume of ingredients
!	Country of Origin	!	Name and place where the product
!	Type of product		can be returned or exchanged (<i>in</i>
!	Importer's name, address and phone		<i>case the product is damaged or</i>
	number		<i>defective</i>)
!	Liquor/beer license number	!	Storage instructions
!	Expiration date	!	Names of food additives
!	Alcohol percent and volume	!	Government's health warning
			clause

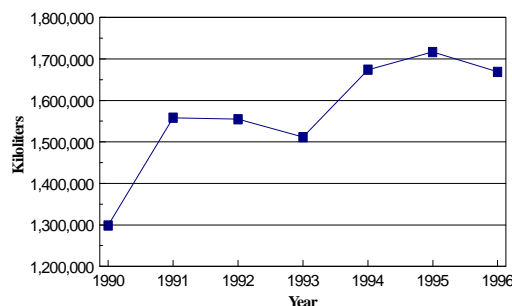
Other Requirements or Restrictions

- ! Only companies which hold a liquor import license may import beer into Korea. Though there are 100-plus of these companies, only about 10 of them import beer on a regular basis.
- ! All foods and beverages are subject to Ministry of Health and Welfare/Food Quarantine inspection. There are three kinds of inspections: A document inspection, a visual inspection and a detailed (chemical analysis) inspection.
 - C Once the cargo has been released from the ship, the customs broker submits the proper documents and duties due for clearance, according to Korean regulations, to the Korean customs office. It typically takes three to four days for inspectors to review the documentation. After this document inspection takes place, inspectors may choose to continue with a visual inspection or make a detailed inspection of the product.
 - C A visual inspection will be done on subsequent shipments if the product is identical in label, product name, alcohol degree, and net weight of the first shipment. It takes five to seven days to complete the document and visual inspections.
 - C A detailed inspection consists of a sampling of the product for a chemical analysis test. Products receive a detailed inspection on the first shipment and should not be subject to another detailed inspection unless product labeling changes. It may take 18 to 25 days to complete the detailed inspection which includes the visual and document inspection of the product, as well.

3. Trends in Consumption

- ! While imported beer is less than one percent of the total beer market, beer imports have been increasing steadily.
- ! U.S. beer is the most popular imported beer among Koreans.
- ! Apart from supermarkets and hypermarkets, imported beer is sold in coffee and tea houses, hof (beer) houses and virtually all restaurants.
- ! According to the Korean Food Yearbook 1997, beer consumption decreased in 1996 because the rate of economic growth slowed in 1996. In addition there was substitution of wine and other alcoholic products which experienced rapid growth in 1996. However imports of beer continued to increase.
- ! There are currently no microbreweries that sell beer in Korea. An extensive amount of capital is needed because government regulations do not differentiate facility requirements for establishing a microbrewery versus a major brewery. Some hotel and restaurant representatives have expressed interest in importing microbrews. Microbrewers should consider Korea as a potential market to establish a microbrewery or showcase their products to the hotel and restaurant industry.

Total Beer Consumption in Korea

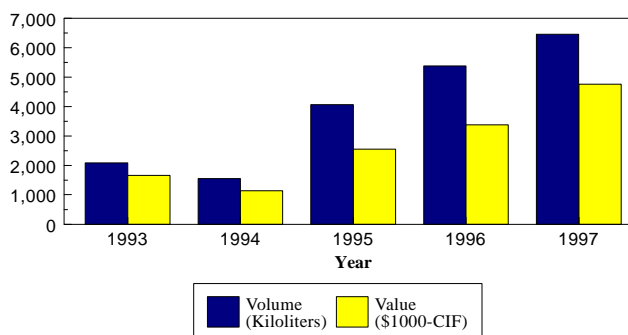


Source: Korea Food Yearbook 1997

4. Trade and Competition

- ! The U.S. is the dominant supplier of beer to Korea, accounting for 70% of the total imported beer market in 1997.
- ! Imports from the U.S. have increased significantly from \$148,000 in 1993 to about \$3.5 million in 1997.

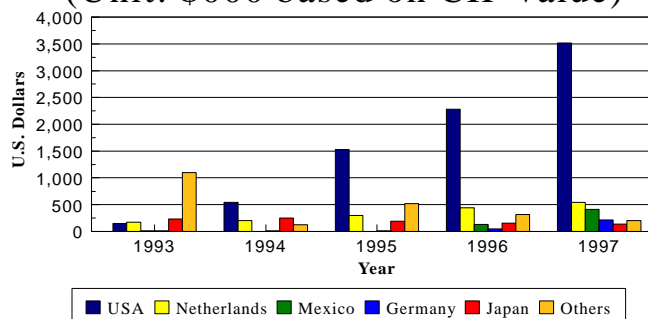
Total Imports of Beer into Korea



Source: Korea Trade Information Service 1997

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Imports of Beer by Country by Value (Unit: \$000 based on CIF value)



Source: Korea Trade Information Service 1997

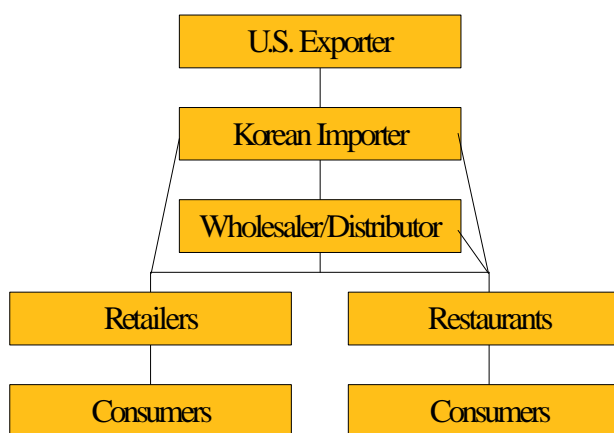
! Beer is imported from a dozen countries with Netherlands, Mexico, Germany and Japan being major competitors with the U.S.

! Few promotions are undertaken by the major competitors. However, some participate in the major food shows in Korea.

5. Distribution Channels

! Once product arrives in port, the Korean importer stores the product until an order is placed by the wholesaler/distributor, retailer or restaurant.

! The distributor/ wholesaler sells the product to another distributor or to the end-consumer, retailer or restaurant.



6. Pricing

! Importers distribute imported beer to bars, hotels, night clubs, discount stores, convenience stores, supermarkets and wholesalers. Importer markups are typically 35-55% of the customs cleared cost and vary depending upon where they sell.

! A bottle (330 ml.) of imported beer currently sells for about 5,000-6,000 won

(US\$3.60) at bars, hotels, and night clubs; and for about 2,200 won (US\$1.60) at supermarkets and convenience stores. (Exchange rate- 1,400 won = US\$1)

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7. Packaging

- ! Imported beers are required to have a Korean label. All exporters are advised to have the label cleared by their importer with Korean Customs prior to shipping.
- ! Canned beers are closely inspected for lead debris inside the can. Though most cans are made of aluminum, there is still a perception and fear in Korea, from past experience, that beer drinkers may get lead poisoning from the can.
- ! Imported beer is usually bottled in 330 ml. bottles. Local beers are sold in 500 ml. bottles and 335 ml. cans.

End of Report

Market Briefs are researched and produced by the Agricultural Trade Office in Seoul, Korea. Market Briefs are meant to provide exporters with key information on products the ATO has identified as having excellent potential in the Korean market.

For further information contact:

Agricultural Trade Office

American Embassy

Unit #15550, APO AP 96205-0001

Tel. No.: 82-2-397-4188

Fax No.: 82-2-720-7921

E-mail: ATOSEoul@fas.usda.gov

Internet: www.atoseoul.com